

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII**

----In the Matter of----

PUBLIC UTILITIES COMMISSION

**Instituting a Proceeding to
Investigate Proposed Amendments
To the Framework for Integrated
Resource Planning.**

Docket No. 2009-0108

PUBLIC UTILITIES
COMMISSION

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FILED

**RESPONSE TO NRRI COMMENTS
AND CERTIFICATE OF SERVICE OF
JW MARRIOTT IHILANI RESORT & SPA,
WAIKOLOA MARRIOTT BEACH RESORT & SPA,
MAUI OCEAN CLUB, WAILEA MARRIOTT, AND
ESSEX HOUSE CONDOMINIUM CORPORATION
ON BEHALF OF KAUAI MARRIOTT RESORT & BEACH CLUB**

By their attorney:

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Dated: November 23, 2009

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JW MARRIOTT IHILANI RESORT & SPA,
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MAUI OCEAN CLUB, WAILEA MARRIOTT, AND
ESSEX HOUSE CONDOMINIUM CORPORATION,
ON BEHALF OF KAUAI MARRIOTT RESORT & BEACH CLUB**

Pursuant to the procedural schedule in this proceeding, the JW Marriott Ihilani Resort & Spa, Waikoloa Marriott Beach Resort & Spa, Maui Ocean Club, Wailea Marriott, And Essex House Condominium Corporation, on behalf of Kauai Marriott Resort & Beach Club (herein referred to jointly as the "Marriotts") hereby submit their comments in response to the comments of the National Regulatory Research Institute ("NRRI"). The NRRI comments were presented in a paper entitled "Clean Energy Scenario Planning: Thoughts on Creating a Framework," filed in this docket on November 3, 2009 (hereinafter referred to as the "NRRI Comments").

This investigation was instituted by the Public Utilities Commission of the State of Hawaii ("Commission") in its "Order Initiating Investigation," dated May 14, 2009 ("May 14 Order). Among other things, the investigation is designed to "review and establish" a "Clean

Energy Scenario Planning Framework (“CESP Framework”) that “revises the previous IRP Framework and proposes a planning process to develop generation and transmission resource plan options for multiple 20-year planning scenarios . . . [and] the development of a 5-year Action Plan based on the range of resource needs identified through the various scenarios analyzed.” The CESP Framework also includes the identification of Renewable Energy Zones, (*i.e.*, geographic areas of the islands with rich renewable energy resources) in which infrastructure improvements should be focused, as well as the identification of any geographic areas of the distribution system in which distributed generation or demand-side management resources are of higher value.

At this stage of the proceedings, a number of technical sessions have been conducted, and parties have filed both their informal proposed modifications to the proposed CESP Framework and their preliminary statements of position (“Preliminary SOPs”).

In general, the Marriotts view the NRRI Comments as a policy-level discussion of the distinction between integrated resource planning (“IRP”) and CESP. NRRI states that IRP is designed to identify “least-cost resources to meet a small band of pre-determined trends or forecasts.” NRRI Comments, p. 1. In contrast, NRRI states that “[s]cenario planning identifies different views of the future, then seeks policies and resources that are reasonably successful under all or most of those futures.” *Id.* The NRRI Comments then address three main questions: (1) what is scenario planning and how does it differ from integrated resource planning; (2) what are the main steps in a CESP framework; and (3) who are the appropriate participants in a CESP development process. *Id.*, at p. 2.

The Marriotts will address NRRI’s discussion of each of these questions in order. To begin, Section I of the NRRI Comments addresses the question of how scenario planning differs

from IRP. According to NRRI, one basic difference is that IRP produces a single least-cost solution for a defined need. NRRI Comment, p. 2. In contrast, scenario planning looks at uncertainties that can lead to widely different futures, and then seeks solutions that work well under all those different futures, even if the solution is not optimal for any particular scenario. *Id.*, at p. 3. The key to NRRI's discussion of scenario planning is that it addresses uncertainties rather than the "most likely" futures, "with the goal of accomodating multiple results and avoiding disastrous results." *Id.* at p. 4. NRRI further cautions that scenario planners must focus on those uncertainties which are outside their control, and that uncertainties are distinguishable from trends and expected events. *Id.*, at p. 5.

The Marriotts submit that there is merit in scenario planning as described in the NRRI Comments, but disagree with NRRI's statement that "[w]hile there is certainly a role for integrated resource planning, and while the parties' attempt to edit the 1992 Framework to connect it better to 2010 priorities certainly has merit, that attempt by itself will not prepare Hawaii for the range of uncertainties ahead." NRRI Comments, p. 1. The Marriotts submit that the concepts articulated by NRRI can be – and, in fact, have been – melded into a document derived by editing the 1992 IRP framework.

This is demonstrated in the "Proposed CESP Framework" filed with the Commission by the Hawaiian Electric Company, Inc., Maui Electric Company, Limited, and Hawaii Electric Light Company, Inc. (the "HECO Companies"), the Kauai Island Utility Cooperative ("KIUC"), and the Consumer Advocate which led to this investigation (hereinafter collectively referred to as the "HCEI" parties). Section II.A. of the 1992 IRP set forth the following goal:

The goal of integrated resource planning is the identification of the resources or the mix of resources for meeting near and long term consumer energy needs in an efficient and reliable manner at the lowest reasonable cost.

In contrast, Section II.A of the Proposed CESP Framework stated the following as its primary goal:

The goal of Clean Energy Scenario Planning (“CESP”) is to develop CESP scenarios that will provide high level guidance on a long term (10-20 years) direction, which will then be utilized to develop a CESP Action Plan for near term initiatives (5 years), balancing how the utility will meet clean energy objectives, customers’ expected energy needs, and protecting system reliability at reasonable costs under various scenarios.

Section II.B. of the Proposed CESP Framework goes on to list a number of governing principles/statements of policy, including the following: “[t]he clean energy scenario planning process shall be focused on planning scenario analyses that provides flexibility *across a wide range of potential futures and uncertainties* for achieving Hawaii’s clean energy future based on the HCEI Energy Agreement” (citing HCEI Energy Agreement Initiatives 32 and 33). Thus, with the understanding of the scenario planning process as discussed in the NRRI Comments, the Marriotts submit that it is not only possible to produce a CESP Framework by incorporating or revising elements of the existing IRP, it is desirable in that much of the process set forth in the IRP can be modified to accomplish the goals of CESP.

Moreover, the NRRI Comments provide a policy discussion, but do not address such potentially thorny issues as rate design and cost recovery. The Marriotts’ position is that these issues (and others discussed in their Preliminary SOP) should be included in any CESP Framework, so that parties know in advance of developing planning scenarios exactly how these related issues will be addressed.

In their preliminary SOP, the Marriotts stated that they viewed the Proposed CESP Framework as a logical extension of the existing IRP Framework. While the Marriotts proposed a number of modifications to the Proposed CESP Framework, it continues to believe that the

Proposed CESP Framework can be viewed as a viable successor to the IRP Framework. Section I of the NRRI Comments serves to underscore, at a policy level, the differences between scenario planning and the IRP process. Even given that understanding, however, the parties must also develop the actual steps that must be taken to implement CESP. The Marriotts submit that there is no need to “throw out the baby with the bathwater,” and that many of the procedures used in the IRP process can be modified so as to accomplish the goals of CESP and planning scenarios.

Section II of the NRRI Comments addresses the main steps to be undertaken by the parties in applying a CESP Framework. NRRI identifies five main steps: (1) define the question to be addressed by the decisionmakers (presumably, the Commission); (2) define the starting point for developing alternative scenarios; (3) explore the unexpected, identify key drivers, and develop scenarios; (4) assess potential actions and make decision; and (5) monitor conditions. NRRI Comments, pp. 7-9.

In the Marriott’s view, the CESP Framework to be developed in this docket should directly address the overall policy and goals of CESP, and the procedural steps to be taken to achieve those goals. Thus, the CESP Framework developed here should directly address steps 1 and 2 as identified by NRRI. Steps 3, 4, and 5 will be addressed pursuant to the *process* to be developed here. In the Marriotts view, Sections II.A and II.B of the Proposed CESP Framework (with the modifications proposed by the Marriotts) adequately set forth the policies and goals of CESP. To the extent more focused questions are desirable, they would be developed in the steps to be taken during the planning context as set forth in Section III of the Proposed CESP Framework.

As to Step 2, the NRRI Comments note that “[t]he collection of clean energy goals set forth in the Hawaii statutes and orders can contribute to defining that starting point,” and set

forth a number of those goals in Appendix A. NRRI Comments, p. 8. NRRI further observes that load forecasts, current cost recovery processes, current rate designs, locational value maps, and renewable energy zone studies can also be part of the starting point. *Id.* The Marriotts agree, and emphasize that the state of Hawaii has adopted a large number of energy mandates, as NRRI has observed. Thus, while it certainly makes sense to develop scenarios that address uncertainties, the statutes also require that certain specific results be achieved within specific time frames. While the NRRI Comments argue that these goals may also be uncertain if, for example, there is new legislation that supersedes the existing statutory mandates, clearly, the Commission and the parties cannot ignore these existing mandates during in the CESP process. Indeed, they must address them directly.

NRRI's Step 3 envisions that the parties to the process will explore the unexpected, identify key drivers (which are not predetermined trends) and develop the actual scenarios. In the Marriotts' view, the CESP Framework to be developed here provides the *process* that will be utilized to accomplish these tasks. For example, Sections III and IV of the Proposed CESP Framework include, among other things, directives for each utility to develop a number of planning scenarios and a CESP Action Plan to implement these scenarios. These Sections also address NRRI's Steps 4 and 5, which state that these scenarios should be assessed and decisions made, and that conditions should be monitored.

The Marriotts reiterate that while it is important to explore the unexpected, it is also important to ensure that the statutory mandates are met. Obviously, meeting these mandates must be considered in any CESP Action Plan.

The Marriotts submit that the Proposed CESP Framework (which was derived from the 1992 IRP) provides the necessary process to address the five steps identified by NRRI.

Section III of the NRRI Comments seeks to identify the appropriate participants in the CESP process. NRRI identifies a number of parties, including the Public Benefits Fee Administrator, the utilities, the Energy Resources Coordinator, Department of Energy experts, resource developers, community groups, and economic development experts. NRRI Comments, p. 10. NRRI states that “the framework should involve more than the customary players. . . .” *Id.*

The Marriotts agree, and in their Preliminary SOP made a number of proposals concerning participants and participation. Among other things, the Marriotts proposed that, in order to garner input from any entities that may have an interest in, or be affected by, any proposed CESP or CESP-related filing, the advisory committees contemplated by the Proposed Framework should be “constructed” so as to include the input of as many interested and/or impacted entities as possible. Many diverse interests have a stake in the CESP and related dockets, and the CESP should recognize this fact and facilitate the participation of those diverse interests in the advisory groups. Among other things, the Marriotts suggested that the advisory committees should include at least one representative of each customer class/rate schedule, representatives of community and conservation organizations, representatives of county and state offices and organizations, and representatives of third parties that supply renewable and DG/CHP equipment. The Marriotts further proposed that inclusion of these parties in an advisory group should be mandatory (unless there is simply no entity willing to represent a particular interest).¹

¹ A detailed discussion of the Marriotts’ position with respect to participants, advisory committees, and access to information is set forth at pp. 10-13 of their Preliminary SOP.

NRRI posits that, with this diversity of participants, a neutral facilitator seems necessary. While the Marriotts are not opposed to this in concept, they also recognize that the “devil is in the details” – a number of issues would be raised if a neutral facilitator is to be utilized, including how such a facilitator would be selected and reimbursed.

In conclusion, the Marriotts view the NRRI Comments as primarily directed at establishing the policies that will apply in developing various planning scenarios. To a large degree, the NRRI Comments do not address how the policies will actually be applied and carried out. The Marriotts submit that it is appropriate to include the goals of planning scenarios in a CESP Framework, but that there are “nuts and bolts” issues that must also be addressed in that Framework.

For example, in their Preliminary SOP, the Marriotts proposed that any CESP Framework adopted in these proceedings should: (1) address the process for recovery of CESP related costs incurred by a utility; (2) consider the rates and rate designs associated with DG/CHP and renewable energy; (3) state that any pilot or other programs adopted in the CESP process are subject to existing Commission orders and regulations; (4) state that proposed projects that do not fall within a defined “Locational Value Map” or “Renewable Energy Zone” should not be treated any differently than projects that do fall within such areas or zones; and (5) include a provision that requires the encouragement and facilitation of increased use of distributed generation (“DG”) and, more specifically, combined heat and power (“CHP”) facilities. It is important that these issues, and others, be addressed “up front” so that the parties know how they will be resolved prior to developing and adopting planning scenarios.

(continued for signature)

Respectfully Submitted,

**JW MARRIOTT IHILANI RESORT & SPA,
WAIKOLOA MARRIOTT BEACH RESORT & SPA,
MAUI OCEAN CLUB, WAILEA MARRIOTT, AND
ESSEX HOUSE CONDOMINIUM CORPORATION,
ON BEHALF OF
KAUAI MARRIOTT RESORT & BEACH CLUB**

A handwritten signature in black ink, appearing to read "Thomas C. Gorak", written over a horizontal line.

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Dated: November 23, 2009

CERTIFICATE OF SERVICE

I hereby certify that on this day I have served a copy of the foregoing "Preliminary Statement Of Position And Preliminary Proposed Modifications To The Proposed CESP Framework And Certificate Of Service Of JW Marriott Ihilani Resort & Spa, Waikoloa Marriott Beach Resort & Spa, Maui Ocean Club, Wailea Marriott And Essex House Condominium Corporation, on behalf of Kauai Marriott Resort & Beach Club," by e-mailing one electronic copy of same to each of the following (unless otherwise indicated):

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Dated: Honolulu, Hawaii, November 23, 2009.

A handwritten signature in black ink, appearing to read "Thomas C. Gorak", written over a horizontal line.

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November 23, 2009

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Public Utilities Commission
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465 South King Street
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PUBLIC UTILITIES
COMMISSION

Re: **Docket No. 2009-0108, In the Matter of, Public Utilities
Commission, Instituting a Proceeding to Investigate
Proposed Amendments To the Framework for
Integrated Resource Planning.**

Dear Chairman and Commissioners:

Enclosed for filing on this date in the above-captioned docket are the original and eight copies of the "Response To NRRI Comments And Certificate Of Service Of JW Marriott Ihilani Resort & Spa, Waikoloa Marriott Beach Resort & Spa, Maui Ocean Club, Wailea Marriott And Essex House Condominium Corporation, on behalf of Kauai Marriott Resort & Beach Club." Kindly receipt stamp the additional copies and return them to the messenger.

Should you have any questions, please do not hesitate to contact me at (808) 377-3408. Thank you for your attention to this matter

Sincerely,



Thomas C. Gorak

Enclosures